

**REPORT ON EXAMINATION OF**

**MAPFRE INSURANCE COMPANY**

**FLORHAM PARK, NEW JERSEY 07932**

**AS AT**

**DECEMBER 31, 2008**

**N.A.I.C. COMPANY CODE 23876**

**FILED**

**November 12, 2009**

Commissioner  
Department of Banking & Insurance

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Honorable Neil Jasey  
Interim Commissioner of Banking and Insurance  
20 West State Street  
Trenton, New Jersey 08625

July 27, 2009

Dear Commissioner:

In accordance with the authority vested in you, a financial condition examination has been made of the assets and liabilities, method of conducting business and other affairs of the

**MAPFRE INSURANCE COMPANY**

**FLORHAM PARK, NEW JERSEY**

**NAIC COMPANY CODE 23876**

hereinafter referred to as, "Company" or "MIC."

## SCOPE OF THE EXAMINATION

This examination of Mapfre Insurance Company "MIC" covers the period from January 1, 2006 to December 31, 2008. The examination was conducted under Section 17:23-22 of the New Jersey Statutes Annotated (N.J.S.A.) Revised Statutes. During this period under examination, the Company's assets decreased from \$247,160,213 to \$38,358,410. Liabilities decreased from \$99,901,094 to \$8,617,031 and surplus as regards to policyholders decreased from \$147,259,119 to \$29,741,379.

In determining the emphasis placed on each item reported herein, consideration was given to the Company's accounting methods and internal controls, information systems controls, audits performed by certified public accountants for the period under review, financial analysis performed by the Financial Analysis Unit of the New Jersey Department of Banking and Insurance ("NJDOBI"), and procedures specified by the National Association of Insurance Commissioners.

No accounts were determined to require special emphasis. Standard emphasis, as defined in the New Jersey Financial Condition Examiners Handbook, was used in several instances. Accounts requiring standard emphasis were:

- Losses
- Reinsurance and the related accounts
- Premium in course of collection
- Unearned premiums
- Bonds
- Cash

All other accounts were determined to require reduced emphasis. Additional areas reviewed during this examination were as follows:

- History and Kind of Business
- Management and Control
- Territory and Plan of Operation
- Policy on Conflict of Interest
- Intercompany Agreements
- Accounts and Records
- Fidelity Bond and Other Insurance Coverage

The examination report, contained herein, will address significant balance sheet accounts and, if necessary, comments on those accounts which involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

Work papers prepared by the Company's external accounting firm, Ernst & Young LLP ("E&Y"), New York, New York, in connection with the annual audit, were reviewed and relied upon to the extent possible.

## COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS

There were no recommendations in the prior examination report.

## HISTORY AND KIND OF BUSINESS

The Company was incorporated under the laws of the State of California on February 21, 1985 as The New Zealand Reinsurance Company of America to serve as the corporate vehicle for the domestication of the United States Branch of The New Zealand Insurance Company Ltd. and commenced operations on March 6, 1986.

On April 18, 1991, Chatham Holdings Inc., a Delaware general business corporation, purchased all of the issued and outstanding capital stock of the Company. The Company's name was changed on May 15, 1991 to English & American Insurance Corporation and on June 25, 1993 to Chatham Reinsurance Corporation.

On June 7, 2000 the Company was sold to Mapfre Re, Compania de Reaseguros, S.A. ("Mapfre Re" or "Parent") a subsidiary of Mapfre Group, the leading insurance entity in Spain. Following the transaction the company was renamed to Mapfre Reinsurance Corporation and was capitalized with an additional \$80 million from the Parent to increase capital to \$100 million. By written consent of the sole shareholder on November 21, 2001 and by resolution of the Board of Directors November 21, 2001, the Corporation was authorized to re-domesticate (for the purpose of administrative and operational efficiency) from the State of California to the State of New Jersey. A transfer of \$700,000 was authorized on November 21, 2001 to be made from the paid in and contributed surplus account to the common capital stock account. The transfer was made to meet State of New Jersey minimum capital requirements of \$4.2 million per N.J.S.A. 17:17-6.

In December 2003, the Company filed an application with the Office of Superintendent of Financial Institutions (OSFI) to open a Canadian Branch. On November 15, 2004 the Company's application was approved and a license limited to the business of reinsurance was granted by the OSFI.

The Company received capital contributions from its Parent of \$15,000,000 on February 24, 2003 and \$20,000,000 on April 27, 2004.

In September 2006, the Company received permission from the New Jersey Department of Banking and Insurance to make an extraordinary distribution of capital of \$111,965,715.

Effective May 23, 2007 the name of the Company was changed to Mapfre Insurance Company through and Amendment to the Certificate of Incorporation dated May 10, 2007 and filed with the New Jersey Department of Banking and Insurance on May 23, 2007. In addition, the Company received permission to make a second extraordinary distribution of capital of \$22,100,000.

In July 2007, the Company was sold by Mapfre Holdings Inc. ("MHC") to Mapfre USA, an affiliated Florida holding company.

As of December 31, 2008, the Company had common capital stock of \$5,100,000 (3 outstanding shares with a \$1,700,000 par value per share), paid in surplus of \$111,862 and unassigned surplus of \$24,529,517.

Dividends in the amount of \$1,000,000 were paid to stockholders in 2008.

The Company's Certificate of Authority authorizes the Company to write the types of insurance specified in paragraphs "a", "b", "e", "f", "g", "i", "j", "k", "l", "m", "n", and "o" of N.J.S.A. 17:17-1 and health insurance as defined in N.J.S.A. 17B:17-4.

The principal and main administrative office of the Company is located at 100 Campus Drive, Florham Park, New Jersey 07054. The registered agent upon whom process may be served is John Lynch, Senior Vice President, CFO and Treasurer.

The Company is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1.

## TERRITORY AND PLAN OF OPERATION

The Company is a New Jersey domestic property and casualty insurance company. The ultimate Parent, Fundacion Mapfre, is a worldwide insurance holding company, which through its insurance subsidiaries writes a broad range of life and property and casualty insurance products.

On November 15, 2004, the Company was granted a license limited to the business of reinsurance by the Office of Superintendent of Financial Institutions ("OSFI"). In addition on December 14, 2004, the Company was granted a license by the Province of Ontario.

On May 23, 2007, the Company was granted an Amended Certificate of Authority to write direct business in the State of New Jersey.

The Company, formerly a reinsurance company, began writing some direct business in 2008 in Arizona. The Company underwrites traditional and specialty lines of business through the brokerage market on risks located in the United States and Canada. The Company is not producer controlled and most business is obtained through intermediaries. The Company is licensed in thirty one states and the District of Columbia.

## CORPORATE RECORDS

The minutes from the Board of Directors and the Shareholders were reviewed from 2006 through June, 2009 for any subsequent events. The Board of Directors approves the investment transactions, elects officers and generally is proactive in the Company. The Shareholder minutes documents the elections of the Board of Directors. The Board members attended meetings on a regular basis.

The Board of Directors maintains three committees; an executive committee (ad hoc), an investment committee and an internal audit committee as of December 31, 2008. The Board of Directors of the Company's ultimate parent, Mapfre S.A. of Spain, complies with N.J.S.A. 17:27:4(d)(3) and consists of one-third of outside directors. In addition, the parent has established a compliance committee composed of only external directors and therefore the Company complies with N.J.S.A. 17:27:4 (d)(4).

## REINSURANCE

Effective June 30, 2006, through an Assumption and Assignment Reinsurance Agreement, which was approved by the NJDOBI, the Company's premium and loss reserves, in the amounts of \$8,279,827 and \$95,066,708, respectively, for the 2000 through 2005 underwriting years, were transferred to the U.S. Reinsurance Trust. No gain or loss was recognized on the transaction.

In December 2006, under a similar Assumption and Assignment Reinsurance Agreement, the Company transferred the premium and loss reserves of its Canadian Branch, for the 2000 through 2006 underwriting years, to its Parent's newly formed Canadian Branch. Therefore, as of December 31, 2006, the only reserves remaining on the Company's books are the reserves of the predecessor company, Chatham Reinsurance Corporation.

As a result of the transfer of business and the sale of the Company, the Company currently has no inforce book of business and, therefore, no in-force reinsurance program. Any reinsurance which is still active is related to the predecessor company's reinsurance program.

The Company remains liable to the extent that the reinsuring companies are unable to meet their obligations and collateral is insufficient under these agreements.

## MANAGEMENT AND CONTROL

The Company, as a subsidiary of Mapfre Re, was assigned an A.M. Best rating of A- (Excellent) in 2008 based on the financial strength of the Company and the Mapfre Group. The Company has its own Board of Directors which numbered eight at the date of the examination. The Company has no employees but utilizes the services of affiliated companies. The Company utilizes the services of certain affiliated companies for data center systems.

### Directors

The by-laws of the Company specify that the Board will not have less than seven (7) nor more than nine (9) directors with each director elected by the shareholders at their annual meeting. The elected directors shall hold office for one year and until their successors have been duly elected and qualified. The annual meeting of the Board will be held on the third Tuesday of March. Special meetings of the Board of Directors shall be held whenever called by the President, or by the Board of Directors. Notice of Special meetings shall be given to members of the Board either personally, or by mail, at least ten days prior to the time designated for the convening of such Special meeting. At all meetings of the Board of Directors, a majority of the members of the Board of Directors shall constitute a quorum for the transaction of business.

A listing of the Directors serving at December 31, 2008 and their principal occupation follows:

<u>Name</u>	<u>Principal Occupation</u>
Robert E. Giddings	Semi-Retired/Consultant
Javier Jose Fernandez-Cid	Director and General Manager of Mapfre International (Parent)
Dennis Fantis	President of Road America (Affiliated Company)
Andres Jimenez	Chairman of Mapfre International (Parent)
Jorge Antonio Fernandez-Silva	Semi-retired/Consultant
Marc M. Tract, Esq.	Partner Katten Muchen Zavis Rosenman LLP
Jeremy R. Wallis	Consultant Mapfre Insurance Company
Jaime Tamayo	President and Chief Executive Officer Mapfre Insurance Company

The Board has an investment committee, which consists of the following:

Jaime Tamayo  
Jorge Fernandez-Silva  
Dennis Fantis  
John J. Lynch – Permanent Consultant

The Board has an executive committee, which consists of the following:

Jaime Tamayo  
Andres Jimenez  
Javier Fernandez-Cid  
John J. Lynch – Permanent Consultant

The Board also has an audit committee, which consists of the following:

Jaime Tamayo  
Jorge Fernandez-Silva  
Jeremy Wallis  
John Lynch – Permanent Consultant

#### Officers

The officers of the Company who were elected and serving at December 31, 2008 were as follows:

Jamie Tamayo	President and CEO
Pedro Armando Freyre Esq.	Secretary
John J. Lynch	Senior Vice President, CFO and Treasurer
Maria Fenton	Director of Administration
Oscar Bosque	Senior Vice President
Lou Maldonado	Vice President- Claims
Mariam George	Vice President and Controller
Stefen Jensen	Executive Vice-President

The business and affairs of the Company are managed by the President and his delegated officers under the guidance of the Board of Directors.

The President of the Company, subject to the direction of the Board, shall be the chief executive officer of the Company, shall have general charge and supervision of the responsibility for the business and affairs of the Company, shall have the direction of all other officers and employees and may assign such duties to the other officers of the Company as he deems appropriate. He shall have the general powers and duties of management usually vested in the office of the president of a company.

#### CONFLICT OF INTEREST

The Company completes conflict of interest questionnaires annually. A formal report is prepared by the Corporate Secretary indicating annual compliance with the Company's conflict of interest questionnaires and reports any conflicts to the Board of Directors.

#### PARENT, SUBSIDIARIES AND AFFILIATES

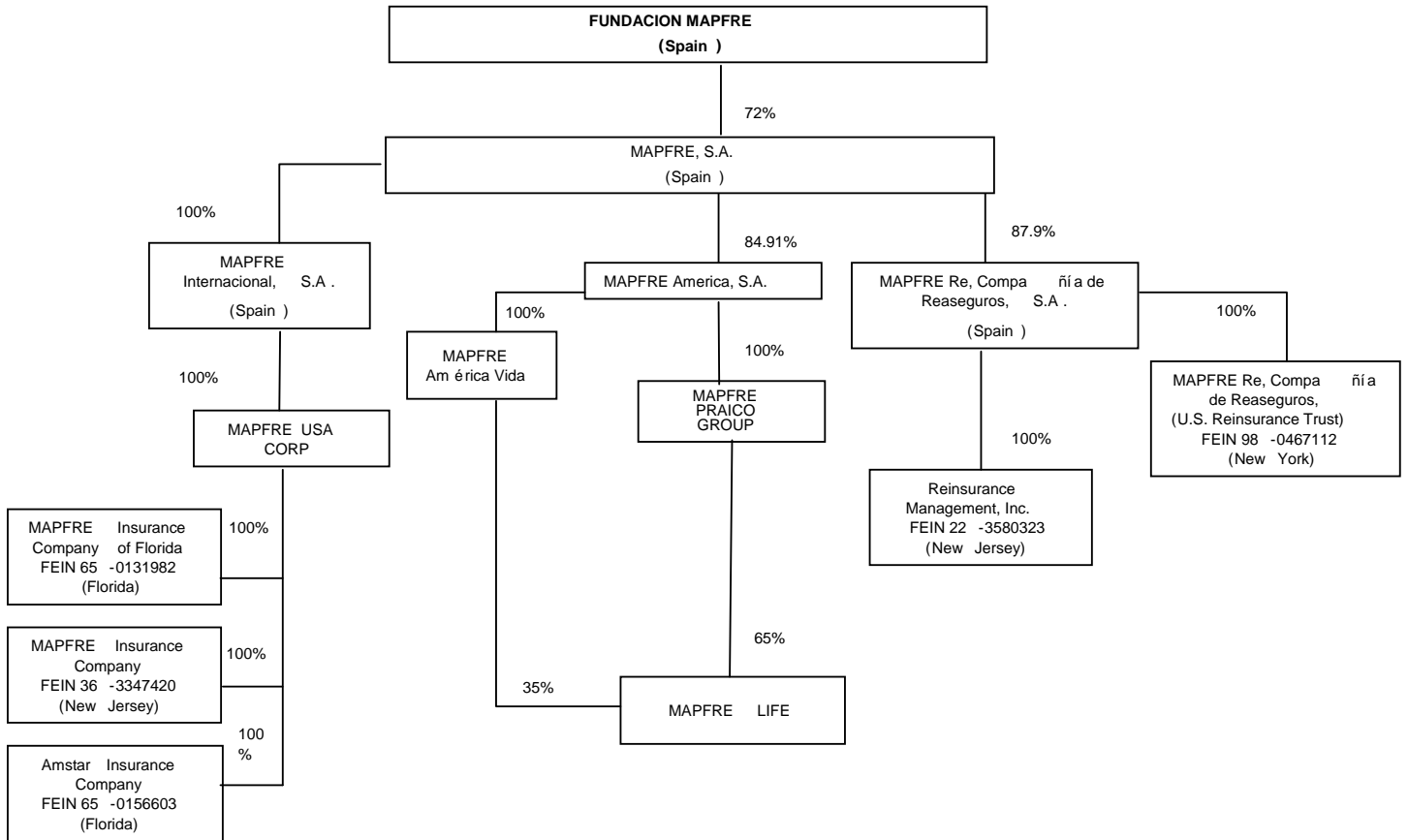
The Company is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1 and is wholly owned by Mapfre USA Corp., an affiliated Florida holding company.

Under New Jersey law, the Company files a holding company registration statement with the NJDOBI. Examination review of the holding company registration statement filed with the NJDOBI supports the



representations contained in that document. In addition, the CPA work papers were reviewed to determine if they evaluated related party transactions, the risk of unusual transactions, and unrecorded transactions.

An organization chart follows which reflects the Company and its parent:



## INTERCOMPANY AGREEMENTS

The Company participates in a federal income tax allocation agreement dated December 31, 2003 along with other subsidiaries. The agreement was filed and approved by the NJDOBI. The Company and affiliates constitutes an affiliated group within section 1504(a) of the Internal Revenue Code of 1986 of which Fundacion Mapfre (Spain) is the common parent and, therefore, are eligible to file a consolidated United States federal income tax return and pay federal income taxes on a consolidated basis if necessary. Federal income tax expense and benefits are allocated in the ratio that the Company's separate tax return liability bears to the sum of the separate return tax liabilities and benefits of the Mapfre Group. Estimated payments are made between members during the year.

It was noted that there is no new tax allocation agreement even though there was a reorganization and changes during the examination period. Mapfre Holdings, Inc. sold the Company to Mapfre USA on July 16, 2007. It is recommended that the consolidated income tax agreement should be updated to reflect the new owner of the Company.

The Company participates in a "Memorandum of Agreement" dated February 17, 2005, between the Company and D.M. Williams & Associates Ltd. (Representative) whereas Representative has agreed to be the sole representative in Canada for the Company which includes all final regulatory on behalf of the Company. The Representative shall have NO authority to bind the Company to any risks, settle claims, or enter into any contracts of insurance or reinsurance on behalf of the Company unless specifically authorized by the Company. Once specifically authorized the Representative is hereby empowered with respect to business in Canada to act as agent with the powers to collect premium or other monies on investments but not pay claims.

## FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company has a \$3 million Fidelity Bond, which provides fidelity coverage for all officers of the Company and which is more than adequate to meet the minimum requirement of coverage as suggested by the NAIC.

## ACCOUNTS AND RECORDS

The Company uses the Freedom software package to prepare the general ledger and to complete the annual statement. The general ledger system was tested and reconciled to the annual statement. Financial information needed in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form. The Company's accounting books and records are maintained at its main administrative office located at 100 Campus Drive in Florham Park, New Jersey.

The Company maintains two systems for reporting business.

The RSG system maintains the old run-off business from Chatham Reinsurance Company, the system generates both premium and loss reports.

The CONDOR system is where all other business is recorded, the system also generates reports which feed the general ledger and exhibits for the filed Annual Statements. The CONDOR system is administered in Spain and the Company has direct access to CONDOR through the internet.

The Company also has the following policies in force at December 31, 2008 to protect itself against the various perils/hazards to which it may become exposed. These policies include an automobile liability policy;

a comprehensive all risk property policy designed to safeguard its building and the contents held within; a workers compensation and employers liability policy; a directors and officers liability policy to protect the Company's officers and directors from possible risks/perils, which could arise during the course of the Company's business; an umbrella policy and a travel accident policy.

Per a review of the Company's IT system by Thomas Walker of the New Jersey Department of Banking and Insurance the disaster recovery plan appears to be adequate. However, although the Company appears to have adequate plans, they have not been tested. It is recommended that the Company adopt a regular testing schedule and document these regular tests.

#### FINANCIAL STATEMENTS AND OTHER EXHIBITS

The financial statements and other exhibits contained in this report are listed below:

- |           |  |
|-----------|--|
| Exhibit A | Balance Sheet as of December 31, 2008  |
| Exhibit B | Summary of Operations for the Three-Year Period Ending December 31, 2008       |
| Exhibit C | Capital and Surplus Account for the Three-Year Period Ending December 31, 2008 |

## EXHIBIT A

## MAPFRE REINSURANCE CORPORATION

## BALANCE SHEET AS OF DECEMBER 31, 2008 AND DECEMBER 31, 2005

	Examination at 12/31/08	Annual Statement at 12/31/05	Increase (Decrease)
<u>Assets</u>			
Bonds	\$31,814,386	\$162,504,579	(\$130,690,193)
Cash and Short-Term Investments	2,471,051	24,938,861	(22,467,810)
Investment Income Due and Accrued	427,402	2,115,664	(1,688,262)
Agents' Balances or Uncollected Premiums:			
Uncollected Premiums and Agents' Balances in the Course of Collection	(149,297)	23,151,010	(23,300,307)
Deferred Premiums, Agent's Balances and Installments Booked but Deferred and Not Yet Due	0	4,271,828	(4,271,828)
Reinsurance			
Amounts Recoverable from Reinsurers	499,479	22,767,957	(22,268,478)
Funds held by or deposited with reinsured companies	928,869	1,974,309	(1,045,440)
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	223,075	1,500,000	(1,276,925)
Net Deferred Tax Asset	1,815,094	3,581,091	(1,765,997)
Electronic Data Processing Equipment and Software	816	25,543	(24,727)
Aggregate Write-ins for Other than Invested Assets	327,534	329,371	(1,837)
Total Admitted Assets	<u>\$38,358,410</u>	<u>\$247,160,213</u>	<u>(\$208,801,803)</u>
<u>Liabilities</u>			
Losses	\$5,185,671	\$36,824,694	(\$31,639,023)
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	1,488,574	21,980,447	(20,491,873)
Loss Adjustment Expenses	298,337	8,929,170	(8,630,833)
Commissions Payable, Contingent Commissions and Other Similar Charges	4,615	132,901	(128,286)
Other Expenses (excluding taxes, licenses, and fees)	87,500	377,268	(289,768)
Taxes, Licenses and Fees	0	381,498	(381,498)
Unearned Premiums	37,916	14,053,342	(14,015,426)
Ceded Reinsurance Premiums Payable	352,065	15,875,708	(15,523,643)
Funds Held by Company under Reinsurance Treaties	246,619	279,266	(32,647)
Amounts Withheld or Retained by Company for Account of Others	2,872	29,962	(27,080)
Provision for Reinsurance	870,151	1,036,838	(166,687)
Payable to Parent, Subsidiaries and Affiliates	42,712	0	42,712
Total Liabilities	<u>\$8,617,031</u>	<u>\$99,901,094</u>	<u>(\$91,284,063)</u>
<u>Surplus and Other Funds</u>			
Common Capital Stock	\$5,100,000	\$4,200,000	\$900,000
Gross Paid in and Contributed Surplus	111,862	135,077,577	(134,965,715)
Unassigned Funds (Surplus)	24,529,517	7,981,542	16,547,975
Surplus as Regards Policyholders	<u>\$29,741,379</u>	<u>\$147,259,119</u>	<u>(\$117,517,740)</u>
Total Liabilities, Surplus and Other Funds	<u>\$38,358,410</u>	<u>\$247,160,213</u>	<u>(\$208,801,803)</u>

EXHIBIT B

MAPRE REINSURANCE CORPORATION  
SUMMARY OF OPERATION FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2005

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>UNDERWRITING INCOME</u>			
Premiums Earned	<u>\$16,003,652</u>	<u>\$(389,919)</u>	<u>\$2,641</u>
Deductions:			
Losses Incurred	\$1,511,612	\$20,928	\$(2,387,053)
Loss Expenses Incurred	(651,049)	(30,375)	(60,085)
Other Underwriting Expenses Incurred	<u>5,565,688</u>	<u>719,260</u>	<u>945,336</u>
Total Deductions	<u>\$6,426,251</u>	<u>\$709,813</u>	<u>\$(1,501,802)</u>
Net Underwriting Gain or (Loss)	<u>\$9,577,401</u>	<u>\$(1,099,732)</u>	<u>\$1,504,443</u>
<u>INVESTMENT INCOME</u>			
Net Investment Income Earned	\$6,215,448	\$2,290,196	\$1,606,567
Net Realized Capital Gains or (-) Losses	<u>(2,489,114)</u>	<u>(61,651)</u>	<u>(20,824)</u>
Net Investment Gain	<u>\$3,726,334</u>	<u>\$2,228,545</u>	<u>\$1,585,743</u>
<u>OTHER INCOME</u>			
Aggregate Write-In for Miscellaneous Income	\$1,048,201	\$(333,892)	\$36,730
Net Income Before Federal and Foreign Income Taxes	\$14,351,936	\$794,921	\$3,126,916
Dividends to policyholders	\$0	\$0	\$0
Federal and Foreign Income Taxes Incurred	<u>(1,524,214)</u>	<u>(12,068)</u>	<u>(183,622)</u>
Net Income	<u>\$15,876,149</u>	<u>\$806,989</u>	<u>\$3,310,538</u>

EXHIBIT C

MAPFRE REINSURANCE CORPORATION  
CAPITAL AND SURPLUS ACCOUNT FOR THE THREE YEAR PERIOD  
ENDED DECEMBER 31, 2008

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net Income	\$15,876,149	\$806,989	\$3,310,538
<u>OTHER SURPLUS GAINS OR (LOSSES)</u>			
Change in Net Unrealized Capital Gains or (Losses)	0	0	0
Change in Net Unrealized Foreign Exchange Capital Gains (Losses)	(1,136,556)	79,055	(51,145)
Change in Net Deferred Income Tax	(6,575,142)	(376,594)	(618,453)
Change in Non Admitted Assets	3,702,345	904,529	1,459,573
Change in Provision for Reinsurance	(215,536)	366,738	15,486
Transferred From Surplus (Stock Dividend)	234,286	665,714	0
Paid in Surplus	(111,965,716)	(22,100,000)	0
Transferred to Capital (Stock Dividend)	(234,286)	(665,714)	0
Dividends to Stockholders	0	0	(1,000,000)
Total Other Surplus Gains or (-) Losses	(116,190,605)	(21,126,272)	(194,539)
Change In Surplus as Regards Policyholders for the Year	<u>(\$100,314,456)</u>	<u>(\$20,319,282)</u>	<u>\$3,115,998</u>
Surplus as Regards Policyholders			
December 31, Previous Year	<u>\$147,259,119</u>	<u>\$46,944,663</u>	<u>\$26,625,381</u>
Surplus as Regards Policyholders			
December 31, Current Year	<u>\$46,944,663</u>	<u>\$26,625,381</u>	<u>\$29,741,379</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1

#### Losses and loss adjustment expenses

\$5,484,008

The NJDOBI completed a comprehensive review of the Company's loss and loss adjustment expense reserves and determined that the Company's gross reserves were redundant by \$932,000 but were within the reasonable range of estimates. The Company reported net reserves were found to be \$932,000 redundant and were also within the range of estimates.

The materiality established for this examination was \$1.5 million. The business produced by the Company produces a much wider range of reasonable estimates, and through discussion with the actuaries it was agreed both the gross and net reserves booked by the Company would be acceptable for examination purposes, therefore no examination adjustment was reflected in this examination report.

As part of the review of the above mentioned reserves, the examination verified the data concerning case reserves and losses paid to Company actuarial reports and to Schedule P by line of business and by accident year. A haphazard sample of claims were selected and traced/agreed to actual claim files to verify underlying claim attributes. The test work performed yielded no material exceptions or problems.

### Note 2

#### Taxes, Licenses and Fees

\$ -0-

It was noted that the Company did not accrue for statutory examination fees at December 31, 2008. It is recommended that in the future the Company should make a reasonable provision for future statutory examinations.

### Note 3

#### Payable to Parent, Subsidiaries and Affiliates

\$42,712

It was noted during the examination that these expenses are related mostly to salary reimbursements for two employees and other office expenses at the Arizona office. There is no agreement in writing relating to these reimbursements to Mapfre USA of Florida. It is recommended that the Company draw up an agreement to detail the stipulations of these reimbursements.

## SUBSEQUENT EVENTS

It was noted that subsequent to the examination the parent, Mapfre USA, was in the process of being sold to Commerce Insurance Company of Webster, Massachusetts.



## RECOMMENDATIONS

### 1.) Page 9                      Intercompany Agreements

It was noted that there is no new tax allocation agreement even though there was a reorganization and changes during the examination period. Mapfre Holdings, Inc. sold the Company to Mapfre USA on July 16, 2007. It is recommended that the consolidated income tax agreement should be updated to reflect the new owner of the Company.

### 2.) Page 10                      Accounts and Records

Per a review of the Company's IT system by Thomas Walker of the New Jersey Department of Banking and Insurance the disaster recovery plan appears to be adequate. However, although the Company appears to have adequate plans, they have not been tested. It is recommended that the Company adopt a regular testing schedule and document these regular tests.

### 3.) Page 14                      Taxes, Licenses and Fees

It was noted that the Company did not accrue for statutory examination fees at December 31, 2008. It is recommended that in the future the Company should make a reasonable provision for future statutory examinations.

### 4.) Page 14                      Payable to Parent, Subsidiaries and Affiliates

It was noted during the examination that these expenses are related mostly to salary reimbursements for two employees and other office expenses at the Arizona office. There is no agreement in writing relating to these reimbursements to Mapfre USA of Florida. It is recommended that the Company draw up an agreement to detail the stipulations of these reimbursements.

## LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES-STATEMENT BY NJDOBI ACTUARY

### Mapfre Insurance Company

I, Boris Privman, FCAS, MAAA, Managing Property and Casualty Actuary for the New Jersey Department of Banking and Insurance, have performed an actuarial review of the reported December 31, 2008 loss and loss adjustment expense reserves for the Mapfre Insurance Company. Based upon this review the Fund's booked gross and net loss reserves should be accepted without adjustments.

Actuarial findings as stated above and in this examination report are the sole responsibility of the New Jersey Department of Banking and Insurance's Property and Casualty Actuarial Unit of the Office of Solvency Regulation..

/S/

Boris Privman-Managing Actuary

### CONCLUSION

The courteous cooperation extended to the examiners by Mapfre Insurance Company is acknowledged.

Respectfully submitted,

/S/

Daniel J. Fialkowski, CFE, AIE, FLMI  
Examiner-In-Charge

MAPFRE INSURANCE COMPANY

I, Daniel J. Fialkowski , do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the Mapfre Insurance Company as of December 31, 2008 to the best of my information, knowledge and belief.

Respectfully submitted,

/S/

Daniel J. Fialkowski, CFE, AIE. FLMI  
Examiner-in-Charge

State of New Jersey  
County of Mercer

Subscribed and sworn to before me,  
on this 22<sup>nd</sup> day of September 2009.

/S/  
Notary Public of New Jersey

My commission expires: September 29, 2013